92070696

m
92-227412

O 18338
Q-36121

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

MAR 10 1992

FORM 10-Q

(Mark One)

__X__ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended January 25, 1992, or

_____ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

PROCESSED BY
MAR 19 1992
Microfilmed by
Q-Data Corp. - St. Petersburg, FL

Commission File Number 0-16394

INMAC CORP.
(Exact name of registrant as specified in i...

Delaware	94-2358985
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2465 Augustine Drive
Santa Clara, CA 95052-8031
(Address of principal executive offices)

Registrant's telephone number, including area code, (408) 727-1970

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES __X__ NO _____

The number of shares outstanding of the registrant's Common Stock on January 25, 1992 was 9,452,738.

This document consists of 12 pages of which this is Page 1.

IMMAC CORP.
FORM 10-Q QUARTERLY REPORT

TABLE OF CONTENTS

ITEM	DESCRIPTION	PAGE
PART I -- FINANCIAL INFORMATION		
1.	Consolidated Financial Statements	
	a) Consolidated Balance Sheets as of January 25, 1992 (Unaudited) and July 27, 1991	3
	b) Unaudited Consolidated Statements of Income for the Three Months and Six Months Ended January 25, 1992 and January 26, 1991	4
	c) Unaudited Consolidated Statements of Cash Flows for the Six Months Ended January 25, 1992 and January 26, 1991	5
	d) Notes to Consolidated Financial Statements	6
2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	
	Financial Condition and Results of Operations	8
	Liquidity and Capital Resources	9
PART II -- OTHER INFORMATION		
1.-4.	Not applicable with respect to the current reporting period.	
5.	Other information	11
6.	Not applicable with respect to the current reporting period.	
SIGNATURE		12

PART I -- FINANCIAL INFORMATION

IMMAC CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JANUARY 25, 1992 (UNAUDITED) AND JULY 27, 1991

	January 25, 1992	July 27, 1991
ASSETS	(In thousands)	
Current assets:		
Cash and cash equivalents	$ 8,711	$ 13,306
Receivables, net of allowances	48,590	37,975
Inventories	39,189	35,207
Prepaid expenses	9,503	5,409
Taxes receivable and other current assets	1,830	4,048
Total current assets	107,823	95,945
Property, plant and equipment, net	8,976	8,527
Other assets	3,119	2,913
Total assets	$119,918	$107,385
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 27,050	$ 20,528
Accrued liabilities	13,919	13,397
Bank debt	27,949	22,395
Income taxes	5,453	4,547
Accrued restructuring costs, current	233	315
Total current liabilities	74,604	61,182
Long-term debt	594	412
Accrued restructuring costs - noncurrent	330	440
Stockholders' equity:		
Common stock	12,553	12,548
Retained earnings	32,134	33,743
Cumulative translation adjustments	(297)	(940)
Total stockholders' equity	44,390	45,351
Total liabilities and stockholders' equity	$119,918	$107,385

See accompanying notes to unaudited consolidated financial statements.

INMAC CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS AND SIX MONTHS ENDED
JANUARY 25, 1992 (UNAUDITED) AND JANUARY 26, 1991 (UNAUDITED)

(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	Jan. 25, 1992	Jan. 26, 1991	Jan. 25, 1992	Jan. 26, 1991
Sales	$ 78,150	$ 77,919	$ 149,454	$ 154,185
Cost of sales	54,535	50,388	103,006	99,546
Gross profit	23,615	27,531	46,448	54,639
Selling, general, and administrative expenses	24,611	24,939	46,293	49,505
Operating income (loss)	(996)	2,592	155	5,134
Interest expense, net	222	472	580	1,026
Income (loss) before income taxes	(1,218)	2,120	(425)	4,108
Income taxes	451	1,367	1,184	2,722
Net income (loss)	$ (1,669)	$ 753	$ (1,609)	$ 1,386
Net income (loss) per common and common equivalent share	$ (.18)	$ .08	$ (.17)	$ .15
Weighted average common and common equivalent shares outstanding	9,452,738	9,444,638	9,455,637	9,445,625

See accompanying notes to unaudited consolidated financial statements.

INMAC CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JANUARY 25, 1992 (UNAUDITED)
AND JANUARY 26, 1991 (UNAUDITED)

(In thousands)

	Six Months Ended	
	January 25, 1992	January 26, 1991
Cash flows from operating activities:		
Net income	$ (1,609)	$ 1,386
Adjustments to reconcile net income to net cash provided by operating activities:		
Allowance for returns and doubtful receivables	612	(91)
Depreciation and amortization	2,087	1,850
(Gain) loss on disposal of fixed assets	84	146
Disposition of fixed assets previously reserved in accrued restructuring costs	--	382
Deferred income taxes	(295)	24
Change in assets and liabilities:		
Receivables	(11,227)	(5,579)
Inventories	(3,982)	330
Prepaid expenses and other current assets	(1,876)	(1,206)
Accounts payable and accrued liabilities	6,991	4,462
Income taxes	1,201	(119)
Other assets	(390)	(412)
Accrued restructuring costs	(192)	(2,196)
Translation adjustment	(105)	778
Net cash provided (used) by operating activities	(8,701)	(245)
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(2,187)	(2,527)
Proceeds from sales of equipment	52	29
Net cash used in investing activities	(2,135)	(2,498)
Cash flows from financing activities:		
Bank borrowings	5,554	(1,323)
Principal payments under capital lease obligation	(66)	(45)
Proceeds from sale of common stock	5	108
Net cash provided (used) by financing activities	5,493	(1,260)
Effect of exchange rate changes on cash	748	178
Net decrease in cash and cash equivalents	(4,595)	(3,825)
Cash and cash equivalents at beginning of year	13,306	10,946
Cash and cash equivalents at year-to-date	$ 8,711	$ 7,121
Supplemental disclosures of cash flow information:		
Cash paid year-to-date for:		
Interest	$ 869	$ 931
Income taxes	$ (167)	$ 2,193

Supplemental schedule of noncash investing and financing activities:

Capital lease obligations totalling $220,000 were incurred when the Company entered into leases for new equipment in October 1991 ($110,000) and in November 1991 ($110,000).

See accompanying notes to unaudited consolidated financial statements.

INMAC CORP. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. The condensed consolidated financial statements include the accounts of Inmac Corp. and its wholly owned subsidiaries (the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

   The consolidated financial statements reflect all adjustments (which include only normal, recurring adjustments) which, in the opinion of management, are necessary for the fair presentation of the results of the Company at the dates of the balance sheets.

   The consolidated financial statements have been prepared by the Company without audit and are subject to year-end adjustment. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

   It is suggested that these interim statements be read in conjunction with the audited financial statements and notes thereto included in the registrant's Annual Report (Commission File Number 0-16394) filed on Form 10-K for the fiscal year ended July 27, 1991.

   Results of operations for the three months and six months ended January 25, 1992 are not necessarily indicative of results to be achieved for the full fiscal year.

2. Inventories

   Inventories are stated at the lower of cost (first-in, first-out) or market (net realizable value).

   Inventories are comprised of the following:

	January 25, 1992	July 27, 1991
	(In thousands)	
Raw materials and manufacturing supplies	$ 2,811	$ 2,869
Finished goods	36,378	32,338
	$ 39,189	$ 35,207

3. Income Per Share

The computation of net income per share is based on the weighted average number of shares outstanding and equivalent shares from dilutive stock options assuming:

- The stock options granted during each period presented, had been outstanding at the beginning of each period presented, and
- The proceeds from the exercise of the stock options were used to repurchase common shares using the "treasury stock" method.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FINANCIAL CONDITION

Cash and cash equivalent balances increased by $1.6 million this quarter compared to the same quarter-end last year. Since July 27, 1991 these cash balances decreased by $4.6 million primarily to meet seasonal requirements for higher levels of receivables and inventories.

Receivables, net of allowances, increased by $10.6 million since fiscal year-end primarily due to the seasonality of sales revenues. Sales revenues for the quarter ended January 25, 1992 were 19% higher than in the quarter ended July 27, 1991. The average number of days-sales-outstanding as receivables at January 25, 1992 is slightly lower than the number at the end of last year's second quarter. This reflects the Company's continued emphasis on sound credit management programs.

Inventories increased by $4.0 million since fiscal year-end in order to meet the inventory requirements of the higher sales levels noted above.

Prepaid expenses increased by $4.1 million since fiscal year-end mainly due to prepaid tax payments of $3.6 million.

Taxes receivable and other current assets decreased by $2.2 million since fiscal year-end principally because tax refunds were received from taxing authorities.

Accounts payable increased by $6.5 million since July 27, 1991 in order to meet seasonal requirements. Average monthly inventory purchases totalled $6.7 million more in this quarter than in the quarter ended July 27, 1991.

Bank debt and other liabilities increased by $5.5 million since July 27, 1991 primarily in order to fund operating expenses and the increased receivables and inventories resulting from sales in the quarter which were 19% higher than the fourth quarter of fiscal 1991.

RESULTS OF OPERATIONS

Sales increased by 0.3% from $77.9 million for the second quarter of fiscal 1991 to $78.1 million for the second quarter of fiscal 1992. As adjusted for foreign currency exchange fluctuations, sales grew by 4.8% during the quarter. Sales decreased by $4.7 million or 3% during the six month period compared to the six months ended January 26, 1991. As adjusted for currency fluctuations, sales increased by 2.2% on a year-to-date basis.

The Company believes that sales have been affected by the economic recession in the U.S. and Europe and its severe impact on Fortune 1,000 companies which are an important market segment for the Company. The Company has taken several steps to stimulate sales including lowering prices in selected markets and continuing to invest in the development of new customers.

The effect on sales of lowering prices in the first quarter of fiscal 1992 was favorable but the effect on the gross profit margin was unfavorable. Gross profit margins as a percent of sales were 30.2% and 35.3% for the second quarter of fiscal 1992 and 1991, respectively, and were 31.0% and 35.4% for the six months ended January 25, 1992 and January 26, 1991, respectively. The Company has taken steps to improve the gross profit margin. These steps include placing a stronger marketing emphasis on products with higher margins. As a result, the Company does not expect additional erosion of profit margins, even though competitive pressures on pricing are expected to continue.

Selling, general and administrative expenses decreased as a percent of sales from 32.0% for the second quarter of fiscal 1991 to 31.5% for the same quarter of fiscal 1992. Similarly on a year-to-date basis, these expenses decreased as a percent of sales from 32.1% for fiscal 1991 to 30.9% for fiscal 1992. These favorable year-on-year comparisons are mainly the result of reduced catalog production costs even though the number of active catalogs is up year-on-year.

Net interest expense was reduced from $1.0 million for the first half of fiscal 1991 to $0.6 million for the first half of fiscal 1992 due to lower interest rates and lower average bank debt balances net of cash and cash equivalents.

Income tax expense decreased by $0.9 million for the quarter and by $1.5 million for the six months ended January 25, 1992 compared to the same periods in fiscal 1991. These decreases are the result of pre-tax losses in certain of the Company's subsidiaries for the quarter and for the six months. Income tax expenses were incurred despite losses on a consolidated basis during these periods because certain subsidiaries earned income before taxes on which the Company must pay tax. Loss carryforward provisions exist under the tax laws of all countries in which Inmac does business.

The Financial Accounting Standards Board issued Statement 109, "Accounting for Income Taxes", in February 1992. The Statement supersedes Statement 96 and APB Opinion 11, and is effective for fiscal years beginning after December 15, 1992. Adoption of the Statement is not expected to have a significant effect on the Company.

Net income decreased by $2.4 million for the quarter and by $3.0 million for the six months ended January 25, 1992 compared to the same periods in fiscal 1991. The operating results are due to lower sales for the six months and lower gross margins that were not fully offset by lower selling, general and administrative expenses, and lower interest rates.

LIQUIDITY AND CAPITAL RESOURCES

As of January 25, 1992, the Company's unused sources of liquidity consisted of $8.7 million in cash and cash equivalents, and approximately $7.1 million in unused lines of credit expiring beginning in April 1992 and thereafter. As of January 25, 1992, because of this quarter's loss, the Company was not in compliance with certain profit-related aspects of its bank covenants, but the Company has been advised by its banks that waivers will be provided.

The Company believes that cash flow from operations, existing cash resources and funds available from bank borrowings will be adequate to meet its working capital requirements at least through the end of fiscal 1992. During February 1992 a new one-year credit facility of £5.0 million was extended to two Inmac Corp. subsidiaries, Inmac UK, Ltd. and the Business Superstore Ltd.

FUTURE RESULTS

The Company's operating results in the last two quarters of fiscal 1992 will be affected by worldwide economic conditions including the extent and length of economic recessions in its markets. Operating results will also be affected by fluctuations in exchange rates among the countries in which Inmac operates. International sales account for approximately 70% of the Company's sales. Accordingly, since currency fluctuations are unpredictable, and even though the Company seeks to protect itself from excessive fluctuations, the Company's results may be affected from quarter to quarter. Other factors which may impact sales and operating results from quarter to quarter, include sales seasonality, the timing of catalog mailings, and the impact of new marketing or country development. In addition, operating results in the remainder of fiscal 1992 may be affected by increased investments the Company will make in a chain of Europe-based computer and office product superstores. (See Part II--Item 5 on page 11 for more details.)

The Company expects operating results in the third and fourth quarters of fiscal 1992 to show improved performance compared to the second quarter results. The Company has planned and put into place actions to reduce product costs, direct response production costs, and operating expenses. These efforts should favorably impact the last half of the year. The Company believes its sales results will depend on continued favorable customer response to its direct response offerings including the new LAN, Workstation, and Hardware/Software catalogs. The Company's ability to achieve overall profitability for the year depends on these actions and on successfully implementing its sales strategy. Sales will also be affected by economic conditions prevailing in the countries in which the Company does business.

PART II -- OTHER INFORMATION

EUROPEAN COMPUTER/OFFICE PRODUCT SUPERSTORES

The Company announced on February 19, 1992 its intention to open a chain of Europe-based computer and office product superstores.

The chain, known as The Business Superstore, will sell a complete range of brand name office products in addition to a full complement of IBM, Apple, Compaq and Toshiba notebook and personal computers at deep discounts from list price. Besides carrying a full range of office stationery goods, the business to business warehouse stores will also sell a broad selection of software, accessories, and furniture principally targeted to the small business operator. To enhance the offering to its customers, the Company will also provide related business services such as training, service contracts, printing, fax transmissions, duplicating, installation, and delivery.

Inmac has committed approximately $5 million to the project during the current fiscal year. The first store is expected to open in March 1992 with a second to follow in the next few months. These two London, England area stores will provide the basis for roll-out to the major business centers across the continent commencing in the fall of 1992.

SIGNATURE

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED THEREUNTO DULY AUTHORIZED.

INMAC CORP.
(Registrant)

DATE March 6, 1992

(Vice President, Finance and Chief Financial Officer, Michael J. Waide)